GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:153
ANSWERED ON:01.12.2006
CLOSURE OF BRANCHES OF BANKS IN RURAL AREAS
Chaudhary Shri Pankaj

Will the Minister of FINANCE be pleased to state:

(a) Whether a number of commercial banks have closed their branches in the rural areas in the last few years;

(b) if so, the reasons therefor;

(c) the number of rural branches closed during each of the last three years and the current year, bank-wise; and

(d) the steps taken/being taken by the Government to stop such closures and also to develop and popularise banking in rural areas ?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a), (b), (c) and (d); A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a), (b), (c) & (d) of the Lok Sabha Starred Question No. 1S3 for answer on 1st December, 2006 regarding Closure of Branches of Banks in Rural Areas` tabled by Shri Pankaj Chowdhaiy

(a), (b), (c) & (d) : No Sir. The bank-wise details of the number of rural branches of Public Sector Banks closed and certain branches closed as a result of merger with nearby branches during the last three years and uptil 30th September, 2006 in the current year are at Annexure.

In terms of the current Branch Authorisation Policy announced by the Reserve Bank of India(RBI) on 8th September, 2005, bianks are encouraged to open branches in rural and underbanked areas. However, under certain exceptional circumstances i.e. law and order problems, natural calamities or continuous, losses, banks may have to close their rural branches. Also as banks go tirough technologicai transformation, a need may arise to merge a branch with a nearby branch.

Closure of rural branches of banks requires the prior permission of the RBI, While closure of even loss making branches at rural centres having a single commercis.l bank branch is not permitted, proposals for closure of branches at a centre served by more than one bank branch is required to be included in the bank`s Annual Branch Expansion Plan after obtaining approval of the District Coisultative Committee (DCC). in some cases, even proposals for closure of rural branches approved by DCC are not considered favourably by the RBI